

## FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



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### **BY ELECTRONIC MAIL**

October 12, 2021

Secretary Francisco Parés-Alicea  
Department of Treasury  
Government of Puerto Rico

Dear Secretary Parés-Alicea:

We write to follow up on your September 10, 2021 letter in response to the Oversight Board's letter dated September 1, 2021, pursuant to PROMESA Section 205, and in relation to the actions taken by the Government to address the internal control deficiencies identified by KPMG as part of the fiscal year 2016 audit process and the request of the management letters for fiscal years 2017 and 2018.

The Oversight Board appreciates the submission of the KPMG management letters for 2017 and 2018 dated November 18, 2020 and August 27, 2021, respectively.

After reviewing your response, the Oversight Board continues to be concerned by the internal control weaknesses identified by KPMG. KPMG noted that no evaluations are performed periodically over internal controls and remedial actions have not been taken for most of the control deficiencies identified in previous audits. Also, many of the deficiencies identified in the 2016 management letters continue to be mentioned in the 2017 and 2018 management letters.

As stated in the management letters, management is required to design and implement effective internal controls over financial reporting. These internal controls should also be adequately documented across the organization and for all reporting units.

The Oversight Board understands that many of the internal control deficiencies identified by KPMG, among other deficiencies, could be addressed by a new ERP system, which the Government has developed plans to implement. However, the Government should not wait for the ERP implementation to perform a comprehensive review and documentation of the internal control environment and address any potential weaknesses. In fact, the process of documenting policies

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and procedures in preparation for the ERP implementation is an appropriate time to document the control environment and improvements that can be made.

Moreover, the Government should not rely on the deficiencies identified by KPMG as its only means of identifying and correcting internal control weakness. As the management letters indicate, the procedures undertaken by KPMG were not designed to identify all deficiencies in internal control that might be material weaknesses. The Government's own review should be comprehensive of all internal controls relevant to each of the reporting entities, including agencies and component units.

The Oversight Board looks forward to continuing to work with you and ensure that the financial control environment of the Commonwealth is strong and subject to consistent review and improvement by management.

Sincerely,



David A. Skeel, Jr.

Andrew G. Biggs

Arthur J. González

Antonio L. Medina

John E. Nixon

Justin M. Peterson

Betty A. Rosa

CC: Ms. Natalie A. Jaresko

Mr. Omar Marrero Diaz